



Annotated agenda (RBA internal) – Wholesale Banknote Distribution Roundtable

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|----------------------|--|-----------------|---|
| Date and Time | Thursday, 21 December 2023 11.30 am – 1.00 pm | Location | Level 15 Conference Room RBA Head Office 65 Martin Place, Sydney or via zoom |
| Organiser | Michele Bullock, Governor | | |
| Attendees | <p>Reserve Bank of Australia <i>(All attending in person)</i> Michele Bullock, Governor Michelle McPhee, Assistant Governor (Business Services) Melissa Hope, Head of Note Issue Ellis Connolly, Head of Payments Policy</p> <p>ANZ <i>(All attending virtually)</i> Michael Wake, General Manager Retail Branch Network Apology: Principal Government Relations & Policy Replaced with: Head of Government Relations and Policy</p> <p>Commonwealth Bank <i>(All attending in person)</i> Angus Sullivan, Group Executive, Retail Banking Services Mark Jones, Executive General Manager Retail</p> <p>National Australia Bank Shaun Dooley, Group Chief Risk Officer <i>(attending in person)</i> Krissie Jones, Executive General Manager Retail <i>(attending virtually)</i> David Banks, Executive Distribution Network <i>(attending virtually)</i></p> <p>Westpac Group Peter Herbert, Chief Transformation Officer <i>(attending virtually)</i> Daniel Bergan, Head of Channel Experience <i>(attending in person)</i></p> <p>Armaguard Group <i>(All attending in person)</i> Peter Fox, Executive Chairman Mick Cronin, Chief Executive Officer Bill Kelty, Board Member Rod Mills, Group CFO</p> <p>Australian Banking Association Anna Bligh, Chief Executive Officer <i>(attending in person)</i> Chris Taylor, Chief of Policy <i>(attending in person)</i></p> | | |
| Observers | <p>Reserve Bank of Australia <i>(All attending in person)</i> Merylin Coombs, Deputy Head, Note Issue Chay Fisher, Senior Manager, Note Issue</p> <p>The Treasury Nghì Luu – Assistant Secretary, Capital Markets, Payments and Financial Innovation Branch <i>(attending virtually)</i></p> <p>Allens</p> | | |

| Items | Time | Introduced by: |
|---|------|-----------------|
| <p>1. Welcome and meeting purpose</p> <p>Two key aims:</p> <ul style="list-style-type: none"> • <i>Follow up on industry proposals for short-term financial relief.</i> • <i>Discuss information required to make informed assessment of AGD's financial situation.</i> <p><i>Reminder that we need to come up with practical solutions.</i></p> | 5 | Michele Bullock |
| <p>2. Competition matters/ACCC interim authorisation</p> <p><i>Chris Taylor (ABA) to remind of competition protocols and scope of ACCC interim authorisation</i></p> | 5 | Chris Taylor |
| <p>3. Discussion of next steps regarding potential areas for short-term relief</p> <p>You could note:</p> <ul style="list-style-type: none"> • <i>The objective is to get clarity on potential cost savings, timelines etc. of the industry measures presented by the banks and for those that require further analysis</i> • <i>Anna Bligh to run through these.</i> • <i>We are open to deferring implementation of changes to the NQRS (the first stage of which was planned to be implemented on 1 October 2024) and need to work through the practicalities of this, having regard to the importance of having high quality banknotes circulating. We will communicate further with industry in the new year on this matter.</i> | 35 | Anna Bligh |
| 4. | 15 | Michele Bullock |

| Items | | Time | Introduced by: |
|-------|---|------|-----------------|
| | | | |
| 5. | <p>Longer-term solutions</p> <p><u>Background:</u> at last week's meeting, it was agreed to form a Working Group to develop longer term solutions for cash distribution.</p> <p>You could note:</p> <ul style="list-style-type: none"> • <i>You will write soon/this week to the CEOs of the major retailers (Woolworths and Coles) and Australia Post (as well as participants here). Seeking nominations – 2 each, between them sufficiently senior to be able to speak on behalf of the organisation and SME. [note: the ABA has already provided nominations from the banks]</i> • <i>Need to come in the spirit of the public interest.</i> • <i>Convene in second half of Jan. We will prepare draft ToR and an agenda for the first meeting.</i> | 15 | Michele Bullock |
| 6. | Summary of actions incl next meeting | 10 | Michele Bullock |

Additional material:

- A letter sent to Armaguard CEO Mick Cronin on 15 December 2023 by Governor Michele Bullock

From:
Sent: Friday, 2 February 2024 12:13 PM
To: BULLOCK, Michele; MCPHEE, Michelle
Cc: HOPE, Melissa; COOMBS, Merylin
Subject: FOR INFO - Update from FTI - Information from Armaguard [SEC=OFFICIAL]

Dear Michele and Michelle,

FTI provided an update to RBA staff this morning regarding the progress of receiving financial information from Armaguard.

Key summary:

- FTI has not started analysing Armaguard's financial position as they have not yet received adequate information.
 - FTI had an initial meeting with AGD on Monday, at which AGD emphasised the urgency of the matter and assured FTI that the information was ready to be provided.
 - However, Armaguard has only provided a few statutory account documents and performance results gradually since Monday 29 January (the date FTI has been ready to receive the information).
 - FTI noted that the key piece of information it requires is Armaguard's financial forecasts. FTI followed up with Armaguard's acting CFO, who has said the forecasts will be provided to FTI by Monday 5 February.
- FTI will notify the RBA by COB Monday 5 February if they have received sufficient information (incl. forecasts) from AGD to commence the analysis.

We are preparing a draft letter which could be sent to Armaguard on Tuesday 6 February in the event that they do not provide the indicated financial information to FTI on Monday.

FTI has agreed in principle to meet with the major banks to provide a high-level summary of the information they have received in mid-February.

Please let us know if you have any questions.

Best Regards,

| Analysis and Policy | Note Issue Department
RESERVE BANK OF AUSTRALIA | 65 Martin Place, Sydney NSW 2000
w: www.rba.gov.au



From:
Sent: Friday, 9 February 2024 9:51 AM
To: BULLOCK, Michele; MCPHEE, Michelle
Cc: HOPE, Melissa; COOMBS, Merylin
Subject: For info: update on FTI/AGD work [SEC=OFFICIAL]

Hi Michele and Michelle

We met with FTI this morning for a progress update. Main points:

- FTI received P&L and cash flow information yesterday and can start work on this (too early to form an assessment of the quality of this info).
- Forecast information came through shortly after Michelle had spoken to Mick Cronin. They noted that the phone call helped to expediate the transfer of data.
- Some information still missing, including from PWC.
- They have lost two weeks waiting for the data. FTI hope to claw some of this back, but the report will be delayed.
- They will update us by cob today whether the remaining data has been forthcoming.
- We'll get a more fulsome update on data quality and expected timing when we have our check in meeting next Friday.

Thanks

Analysis and Policy | Note Issue Department
RESERVE BANK OF AUSTRALIA | 65 Martin Place, Sydney NSW 2000
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From: HOPE, Melissa
Sent: Tuesday, 13 February 2024 9:52 AM
To: BULLOCK, Michele
Cc: MCPHEE, Michelle; COOMBS, Merylin;
Subject: For Information - Cash Distribution Update [SEC=OFFICIAL]

Dear Michele

Here is an update of recent developments with the cash distribution work.

- The **Long-term Solutions Working Group** met on 5 February. It includes the RBA, major banks, ABA, Armaguard and Treasury. The overarching goal of the Working Group is to develop a new, sustainable model for cash distribution in Australia in the public interest. The ABA and major banks are in the process of finalising a scope of works for an independent expert to help with modelling of the cash cycle and development of options for cash distribution; they have committed to sharing the scope with the RBA. It was anticipated that a report would be available in around 12 weeks.
- The **Business Continuity Working Group** met on 12 February. It includes the RBA, major banks, ABA, and Treasury.
- We have been meeting bilaterally with **Australia Post and the major retailers** (Woolworths, Coles, Westfarmers) to understand their concerns and needs, and update them on our work.
- In terms of the **financial analysis of Armaguard's position**, FTI has now (as of today) received all the information requested from Armaguard; two weeks' behind schedule. FTI were due to deliver a report to us by end February, but this will now likely be early March; FTI will confirm timing at the end of this week.

Cheers
Mel

Melissa Hope | Head of Note Issue Department
RESERVE BANK OF AUSTRALIA | 65 Martin Place, Sydney NSW 2000
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Joint Executive Brief: Annual meeting of the ACCC Chair and RBA Governor

| Meeting details | | |
|-------------------|-------------------------------------|---|
| Date: | Friday 23 February 2024 | |
| Time: | 2.30pm – 3.15pm | |
| Location: | In person at the RBA office, Sydney | |
| Attendees: | See below | |
| ACCC | | |
| | Gina Cass-Gottlieb | Chair |
| | Richard Fleming | General Manager, Competition Enforcement and Advocacy |
| RBA | | |
| | Michele Bullock | Governor |
| | Ellis Connolly | Head of Payments Policy Department |

| Agenda | Lead for discussion | Allocated time |
|-----------------------------|---------------------|----------------|
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| 4. Cash distribution | ACCC and RBA | 10 mins |
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Key points

- Linfox Armaguard and Prosegur Australia merger authorisation

4. Cash distribution

Key points

- On 13 June 2023, the ACCC granted authorisation to the Armaguard and Prosegur merger with the condition that Armaguard give and comply with a court-enforceable undertaking. In making this decision, the ACCC noted that the cash-in-transit industry is in structural decline due to the decreasing use of cash as a payment method.
- Since the merger authorisation was granted Armaguard has been raising concerns in various forums about the sustainability of the cash-in-transit industry due to the decline in cash usage.
- On 30 November the ABA sought authorisation for banks and other relevant parties to discuss and develop arrangements to facilitate ongoing access to cash in the Australian economy. The ACCC granted interim authorisation on 6 December. This allows the parties to engage in discussions while the ACCC considers the substantive application for authorisation.
- Under the terms of the authorisation sought by the ABA, implementation of any arrangements developed would be the subject of a separate Application for authorisation.
- The RBA made a submission to the ACCC in support of the ABA's application for authorisation. So far the ACCC has received 7 other submissions, all supportive (or not raising concerns).

- The Governor has convened several industry discussions to consider what more could be done to support access to cash, and to promote a sustainable model for cash distribution. These discussions are being conducted in line with the Interim ACCC Authorisation. The RBA has also convened two working groups:
 - Business Continuity Working Group – RBA, major banks, ABA, and Treasury (but not Armaguard (AGD)) – to examine short-term preparedness in the event of a sudden exist of AGD.
 - Long-term Solutions Working Group – RBA, major banks, ABA, AGD and Treasury – to formulate a new sustainable model(s) for cash distribution in Australia.
- The ABA is facilitating discussion between Armaguard and the major banks on a range of potential commercial arrangements that could provide short-term financial relief for Armaguard,

The Bank has engaged an external expert, on behalf of

the major banks, to

. The consultant is expected to report around early March.
- Pursuant to a condition of the interim authorisation granted, the ACCC is receiving monthly reports from the ABA about these discussions.
- Another focus for the RBA is engaging with other relevant stakeholders involved in cash distribution (e.g. Australia Post and major retailers), government and regulators.
- The ACCC has, and continues to, liaise with AGD regarding its compliance with the undertaking required by the ACCC as part of the merger authorisation. AGD's undertaking contains a range of obligations. Among other things, it requires AGD to continue to offer cash-in-transit services to all locations currently serviced and limits its ability to reduce service and raise prices for existing customers
- The ACCC expects to release a draft determination about the ABA's application in late February/early March, and a final determination in April 2024. If authorisation is necessary to implement any proposals to support access to cash developed through the ongoing discussions the ACCC will move quickly to consider any request for interim authorisations for those arrangements.

BRIEFING – MEETING WITH ARMAGUARD – 1 MARCH 2024

Long-term Solutions Working Group (LTSWG)

- The first meeting of this group (Chaired by Michelle McPhee) was held in early February. Armaguard is a member, along with the RBA, Treasury, ABA and the major banks.
- The overarching objective of the group is to develop a business case for a new sustainable model for cash distribution, in the public interest. The most suitable model is not being pre-judged. The aim is for an industry-led solution.
- Members have agreed that the public interest is an important guiding principle for the WG.
- The ABA (in association with the major banks) has procured an external consultant, to undertake modelling of the cash cycle and to develop options for cash distribution.
- The consultant's report is expected to be available around early June. The next LTSWG will be scheduled for June, with timing dependent on availability of the report.

ACCC Undertaking

- The ACCC confirmed in their Senate appearance on 14 February that they are monitoring AGD's compliance with the proposed undertaking. The ACCC has not indicated whether the undertakings have been followed to date but did mention to the Senate that there have been some concerns raised with them.

Business continuity

- AGD has **not** been involved in the industry BCP work. The Head of NI is chairing a Business Continuity Working Group composed of the major banks, ABA, Treasury and the RBA. This group is focusing on short-term industry preparedness for an adverse scenario. A workshop of the Group is being held on Tuesday 5 March for the purpose of operational planning.

RBA TIMELINE - CASH IN TRANSIT INITIATIVES (AS OF 28/02/24)

Upcoming key dates, events/meetings:

| Date | Description | Additional Information |
|-----------------|--|--|
| Early June 2024 | CFR Plus Meeting CIT issues is a potential agenda item | |
| Early June 2024 | Long-term solutions working group – Meeting 2 (timing dependent on completion of ABA consultant work) | Attendees: RBA (Chair), 4 Major banks, ABA, AGD, Treasury |
| 7/06/2024 | Completion date for ABA's Consultant work | |
| 23/05/2024 | Payments System Board Meeting CIT issues is a potential agenda item | |
| 27/03/2024 | Wholesale Banknote Distribution Roundtable meeting 3 - chaired by Michelle Bullock | Attendees: RBA (Chair), 4 Major banks, ABA, AGD, Treasury <u>plus</u> AusPost, Coles, Woolworths, Wesfarmers |
| 6/03/2024 | Quarterly CFR Meeting CIT issues is an agenda item; potential for media release to highlight CIT issues | |
| 05/03/2024 | Industry BCP Workshop (operational planning) | Major banks, RBA, ABA, Treasury (not AGD) |
| 11/03/2024 | FTI report week beg 11 March; possibility of presentation of key findings week beg 4 March | Attendees: RBA, 4 Major banks, ABA, Treasury, FTI |
| 1/03/2024 | Armaguard (Mick Cronin and Peter Fox) meeting with the Governor and Assistant Governor (BSG) | |
| 29/02/2024 | Payments System Board Meeting CIT issues in <i>Other Issues</i> paper. | |

Past key dates, events/meetings/public statements:

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|------------|---|---|
| 28/02/2024 | Business continuity working group – Meeting 2 | Attendees: RBA (Chair), 4 Major banks, ABA, Treasury |
| 26/02/2024 | Meeting with FTI/ABA/Banks/Treasury to discuss FTI interim progress | Attendees: RBA, 4 Major banks, ABA, Treasury, FTI |
| 15/02/2024 | Governor's appearance at Senate Estimates - the Economics Legislation Committee, Question from Senator Dean Smith | D24/52241 |
| 12/02/2024 | Business Continuity Working Group – Meeting 1 | Attendees: RBA (Chair), 4 Major banks, ABA, Treasury, AusPayNet |
| 09/02/2024 | Governor appearance at House of Representatives Standing Committee on Economics | Opening statement |
| 5/02/2024 | Long-term Solutions Working Group – Meeting 1 | Attendees: RBA (Chair), 4 Major banks, ABA, AGD, Treasury |
| 19/01/2024 | ACCC submissions close. RBA made a submission. | Submission by Reserve Bank of Australia |

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| 17/01/2024 | Letter from Armaguard to Governor | AGD's letter: D24/16646 Governor's response (22 Jan): D24/20867 |
| 21/12/2023 | Wholesale Banknote Distribution Roundtable – Meeting 2 chaired by RBA Governor | Attendees: RBA (Chair), Major Banks, ABA, Treasury, AGD |
| 15/12/2023 | Letter from Governor to Armaguard to update on outcome of 14/12 Discussion with Banks, ABA | Governor's letter: D23/352544 AGD response: D24/20867 |
| 14/12/2023 | Governor discussion with 4 banks, ABA | Attendees: RBA (Chair), 4 Major banks, ABA, Treasury (not AGD) |
| 12/12/2023 | Governor's Speech at Australian Payments Network Summit | See: Governor's Speech , Maintaining access to cash |
| 11/12/2023 | Letter from Governor to Armaguard (follow-up post Roundtable of 30/10/23) | Governor's letter: D23/346306 AGD response: D23/347568 |
| 8/12/2023 | Quarterly CFR Meeting CIT issues discussed as Other Business | Quarterly Statement by the Council of Financial Regulators – 13 December 2023 Media Release |
| 6/12/2023 | ACCC grants interim authorisation to the ABA with conditions | ACCC decision |
| 1/12/2023 | RBA and Armaguard Senate appearance - Inquiry Into Regional Bank Branch Closures Armaguard state they are 'highly unprofitable' | Rural and Regional Affairs and Transport References Committee |
| 30/11/2023 | ABA lodgement of application and supporting submission to the ACCC | ABA application to ACCC |
| 30/10/2023 | Wholesale Banknote Distribution Roundtable – Meeting 1 chaired by RBA Governor | Attendees: RBA, 4 Major banks, ABA, Treasury, AGD |



Annotated Agenda (RBA Internal) – Wholesale Banknote Distribution Roundtable

| | | | |
|----------------------|--|-----------------|---|
| Date and Time | Wednesday, 27 March 2024 10:00am – 12:00pm | Location | Level 15 Conference Room RBA Office 65 Martin Place |
| Organiser | Michele Bullock, Governor | | |
| Attendees | <p>Reserve Bank of Australia Michele Bullock, Governor Michelle McPhee, Assistant Governor (Business Services) Melissa Hope, Head of Note Issue</p> <p>ANZ Michael Wake, General Manager Retail Branch Network Principal Government Relations & Policy</p> <p>Commonwealth Bank Mark Jones, Executive General Manager Retail John McClelland, Executive Manager Leif Gamertsfelder, Executive General Manager, Customer and Community Advocacy</p> <p>National Australia Bank Krissie Jones, Executive General Manager Retail David Banks, Executive Distribution Network</p> <p>Westpac Group Peter Herbert, Chief Transformation Officer Daniel Bergan, Head of Channel Experience</p> <p>Armaguard Bill Kelty, Board Member Peter Fox, Executive Chairman (virtual) Mick Cronin, Chief Executive Officer (virtual)</p> <p>Australian Banking Association Anna Bligh, Chief Executive Officer Chris Taylor, Chief of Policy Director, Policy Fiona Landis, Chief of Corporate Affairs</p> <p>Australia Post Kristina Hickey, General Manager Government, Industry & Regulatory Affairs Kayla Le Cornu, General Manager, Retail Product & Supply Chain</p> <p>Coles Shane Healey, General Manager Finance Property and Group Treasurer</p> | | |

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|------------------|--|
| | <p>Llew Fleming, General Manager Legal - Corporate Sophie Wong, General Manager Supermarkets Transformation</p> <p>Wesfarmers Tricia Ho-Hudson, Executive General Manager, Group Finance Jarod Casey, General Manager, Business Development</p> <p>Woolworths Phil Schretzmeyer, Company Treasurer Michelle Hall, Company Secretary</p> |
| Observers | <p>Allens Rosannah Healy, Competition Lawyer</p> <p>Reserve Bank of Australia Bradley Jones – Assistant Governor (Financial System) Chay Fisher – Senior Manager, Analysis and Policy, Note Issue</p> <p>The Treasury Nghii Luu – Assistant Secretary, Capital Markets, Payments and Financial Innovation Branch Tim Baird – Assistant Secretary, Payment System and Financial Innovation Branch Ben Jordan – Assistant Director, Payments Strategy and Policy Unit</p> |

| Items | Time | Introduced by: |
|---|------|-----------------|
| <p>1. Welcome and meeting purpose</p> <p><i>Welcome to Coles, Woolworths, Wesfarmers, Australia Post (attending for first time). AusPost and retailers play an important role in the retail cash distribution system.</i></p> <p><i>Purpose is to bring together key participants in the cash distribution system to take practical steps to shore up cash distribution in the immediate future and work towards a sustainable longer-term model.</i></p> <p><i>Reminder that all parties need to work in the public interest.</i></p> | 5 | Michele Bullock |
| <p>2. Competition matters</p> <p><i>Chris Taylor (ABA) to remind of competition protocols and scope of ACCC interim authorization.</i></p> | 5 | Chris Taylor |
| <p>3. Update on short-term funding proposal</p> <p><i>Reiterate importance of maintaining access to cash in the community, and that a short-term solution is in the public interest.</i></p> <p><i>Anna to provide an update.</i></p> | 15 | Anna Bligh |

| Items | Time | Introduced by: |
|---|------|---------------------|
| <p><u>Background for your information:</u></p> <ul style="list-style-type: none"> The FTI engagement is complete; FTI presented to major banks (and RBA/Treasury) on 7 March; report received on 11 March. | | |
| <p>4. New ABA ACCC Authorisation Overview</p> <p><i>ABA to talk about steps to move from discussion of solutions under the ACCC Interim Authorisation to implementation.</i></p> <p><u>Background for your information</u></p> <ul style="list-style-type: none"> The ABA is preparing an application to the ACCC to enable relevant parties to: agree to and provide short-term industry assistance to Armaguard; and progress detailed work on industry BCP. Following discussion with the ACCC – and given the urgency of the situation – the RBA has prepared a statement to the ACCC that would indicate in-principle support for the ABA’s application. | 15 | ABA |
| <p>5. Longer-term solutions work update</p> <p><i>Developing a sustainable model for cash distribution is complex and will take some time. Discussions have started through the Long-term Solutions Working Group, chaired by Michelle McPhee.</i></p> <p><i>Michelle will update on the WG, and the ABA to update on the work they have commissioned from an external consultant (</i></p> <p><u>Background for your information</u></p> <ul style="list-style-type: none"> The objective of the Long-term Solutions WG group is to develop a business case for a new, sustainable model for cash distribution. The LTSWG has met once (5 February). The ABA has engaged to look at options, and the next WG meeting will be scheduled once that work has been done. We understand that the work will look at various parts of the cash cycle and develop potential solutions for consideration of the industry; the scope of the consultancy work also covers consideration of the role of the public sector. We have not been approached by in relation to the RBA’s role in the distribution system. | 15 | Michelle McPhee/ABA |
| <p>6. NQRS update</p> <p><i>At the last Roundtable, we said we would get back to you on the approach to the new quality standards, the first phase of which was scheduled to commence later this year.</i></p> | 5 | RBA |

| Items | Time | Introduced by: |
|--|------|-----------------|
| <p><i>In the current environment, it is appropriate to defer the new quality standards so we can focus on the immediate issue of shoring up the distribution system. <u>Mel Hope to discuss.</u></i></p> <p><u>Background for your information:</u></p> <ul style="list-style-type: none"> • The new quality standards will be deferred to enable the industry to focus on the current distribution issues and the potential for changes to distribution and quality arrangements moving forward. • We would be looking to implement these changes by the end of 2024, and will provide industry with further detail in the coming month. • RBA will consider future arrangements for banknote quality as part of the work on a longer-term solution for banknote distribution. | | |
| 7. | 10 | |
| <p>8. Summary of actions</p> <p>Future of Roundtable:</p> <ul style="list-style-type: none"> • <i>A key focus has been on short-term relief measures. The FTI work is complete.</i> • <i>Roundtable may move to meeting on a more infrequent basis as focus turns to longer-term solutions.</i> • <i>We can reconvene if required.</i> | 10 | Michele Bullock |